

DISTRIBUTED GENERATION CONTRACTS BOARD MEETING

December 2, 2013
9:30-10:30 AM

Conference Room A
RI Department of Administration
1 Capitol Hill Rd.
Providence, RI

MINUTES

Board Members Present: Ken Payne, Marion Gold, Christine Malecki West, Hannah Morini, Samuel Bradner, Thomas Teehan, Sharon Conard-Wells.

Attendees: Chris Kearns, Julian Dash, Seth Handy, Jason Gifford, Mark DePasquale, Linda George

Approval of Minutes

Sam Bradner made a motion to approve the October meeting minutes. Sharon Conrad-Wells seconded approval of the minutes and the motion passed unanimously.

OER Presentation – Chris Kearns provided an overview of the 2014 program plan development process and the OER recommendations to the Board.

Chris provided background around the 2014 program plans development, including that the Board contracted with Sustainable Energy Advantage (SEA) to develop and provide recommendations to the Board on the 2014 ceiling prices, including having SEA on behalf of the Board collect all of the data and interact and speak with stakeholders interested in participating in the DG program process. SEA developed the 2014 ceiling prices for wind, solar, anaerobic digestion and small scale hydropower.

The OER/DG Board hosted several public meetings on the development of the 2014 DG Program, including having SEA presentations at 3 public meetings, including a public presentation on the design and use of the CREST model and 2 presentations on the first and second drafts of the 2014 ceiling prices.

The 2014 program plan is looking at 12.5 megawatts as the tentative capacity. If there is any additional capacity made available, then the OER will notify the Board and the Public Utility Commission of these new developments. The OER recommended that the 3rd and final enrollment allocation amongst the technologies for 2014 be determined after the 1st and 2nd enrollments.

Sam: Asked whether the 3rd round allocation of the 2014 plan would require Board approval. Ken said that the Board would need to discuss and vote on the final megawatt allocation, before National Grid could carry out the final enrollment in the fall or winter.

Further details of the OER presentation can be viewed by the attached power point.

SEA Presentation – Jason Gifford stated that SEA utilized a process for developing ceiling price recommendations that was built around the policy objectives of the DG law and stakeholder input. The purpose of SEA's CREST models is to provide tools and analysis to help inform objective

decisions. Jason explained that SEA compared technologies “apples to apples” as best as possible given the changes year to year for the various technologies and size categories. Jason explained that overall, solar costs have decreased while wind costs have increased each year of the program since 2011.

Jason then provided additional detail with respect to the wind analysis, with particular emphasis on the assumptions varied in response to stakeholder feedback. Adjustments to wind modeling assumptions took into account current and past participants to help determine the “all in cost” to install wind turbine systems. In addition to data received from Rhode Island projects/installations, the Massachusetts Clean Energy Center production tracking system was used to help determine the capacity factor. Through its analysis and weighing in stakeholder feedback, SEA made adjustments to the capacity factor, monetization of the federal investment and production tax credit, interconnections costs, and interest rate on term debt. The result was an 18 percent increase in the ceiling prices if federal incentives remain in effect, and a 39 percent increase in ceiling prices (compared to actual 2013 ceiling prices) if the current federal incentives are allowed to expire.

Sam asked whether some inputs had a greater impact on ceiling prices than others.

Jason said that the capacity factor and installed costs assumptions have the greatest impact, followed by monetization of federal incentives and cost of capital assumptions.

Sharon said there was a good amount of discussion at the two ceiling price public meetings around the interconnection costs.

Chris noted that the issues and challenges with interconnection of renewable energy installation is something the Board and OER need to look at in 2014.

Jason responded to the questions/comments from the Board members and said that SEA tried to recognize and address uncertainty as best as possible when developing the ceiling prices for the different technologies, and utilized the same process in the development of the 2014 ceiling prices as was utilized for the first 3 years of the DG program.

Sharon asked if the interconnection costs are not accurate for a specific project, will projects be rejected during an enrollment. Ken said that National Grid can’t accept DG applications for wind, solar and other technologies that are above the approved ceiling prices by the Public Utility Commission. Ken said that high interconnections costs are generally attributed to areas where electrical infrastructure is inadequate at the proposed project site, or the specific project requires a long interconnection to existing electrical infrastructure.

Christine asked if there are any other risk factors besides interconnections costs. Jason said that raw materials, size of the wind turbine, height of the tower will affect the cost of each specific installation.

Further details of the SEA presentation can be viewed by the attached power point.

Ken then stated that while the Board doesn’t need to open the discussion up to any further public comments, due to the number of opportunities for the public to weigh in and provide suggestions to SEA on behalf of the Board that the Board will allow for final public comments.

Seth Handy representing Wind Energy Development spoke about the recommendations made of the wind ceiling price for the 1.5 MW wind turbine class and the proposed megawatt allocation plan for wind.

Seth expressed his concerns with the 2014 ceiling prices and the assumptions made to the inputs, including interconnections costs, property taxes, construction costs, potential litigation (Ex: Town of Coventry Project) and siting challenges (Ex: Town of Westerly and City of Johnston). Seth said that the wind turbine development may be unsustainable due to the lack of state support in the ceiling prices or megawatt allocation.

Seth felt that the lack of historical development from the first 3 years of the DG program is no indication of current pipeline for wind turbine projects. Seth asked that the megawatt allocation for wind be restored to all three rounds instead of the initial two rounds. WED has produced their own wind turbine data for the CREST model on their own and provided that to SEA. Seth also referenced data from other projects built in Rhode Island, including the Narragansett Bay Commission and Portsmouth Wind Turbine. Seth felt that using MA wind turbine data is irrelevant to the ceiling price development process.

Seth referenced Vermont's program provides 11 cents per kilowatt for wind turbine projects, Connecticut provides a 0.20 cent per kilowatt incentive, and that the proposed 2014 ceiling prices in Rhode Island are not enough and should be set at a minimum of 0.22 cents per kilowatt hour. Seth also stated that WED has found an investor who is willing to bid into the 2013 and 2014 program if there are enough megawatts in the DG program. Seth said that the low ceiling prices seen for solar through the enrollments are not viable, and that wind is a good investment no matter what the price under the DG program.

Julian Dash from Clean Energy Development supported the work done by SEA on the development of the ceiling prices. Julian believes that the goals of the DG program are to support small and medium scale projects. The solar prices have dropped over the past two years, but the DG program is not big enough to support the market. Small scale solar is not helped by the DG or the REF due to limited allocation in DG program and structure of the REF. Julian requested that the small scale solar opportunities be increased by merging the small and medium scale solar classes together.

Jason didn't have any response to the comments provided by Julian. Jason did respond to Seth's Wind Energy Development comments and stated that SEA looked at multiple factors and assumptions in developing the 2014 ceiling prices and didn't develop a price based on the needs of one developer. SEA considered all information provided by the public during the development of the ceiling prices on the Board's behalf.

Ken asked if the Board was interested in combining the small and medium solar classes together, or maintain the small scale solar allocation and allow small solar projects the ability to compete in the medium scale solar allocation during each enrollment. They would need to apply for a specific allocation. They couldn't submit the same small solar application in both the small and medium scale solar enrollment.

Christine made a motion to amend the eligibility requirements and allow small scale solar the ability to compete in either the small or medium scale solar allocations in a specific enrollment and that they can't apply an allocation to both categories. Sharon seconded and the motion passed unanimously.

Ken asked that the Board take two separate votes on the 2014 plan. The separate votes would be on the SEA recommended ceiling prices and the proposed megawatt allocation plan for the first two

enrollments and then reconvene a meeting in the Spring or Summer to decide the final allocation scheduled for the fall.

Ken asked if the Board wanted to entertain any amendments to the ceiling prices. There were no motions by the Board members to amend the ceiling prices.

Ken made a motion to approve the ceiling prices developed and recommended by SEA for the 2014 program plan. Christine seconded and the motion passed unanimously.

Ken made a motion to approve the megawatt allocation plan for the first two enrollments and then reconvene a meeting in the Spring or Summer to decide the final allocation scheduled for the fall. Sam seconded and the motion passed unanimously.

Adjourn

Sam moved, Sharon seconded the chair's motion to adjourn at 11:15 a.m.

Respectfully submitted
Chris Kearns
Secretary Pro-tempore